



UBS
March 2006

Forward-Looking Statement



Except for the historical information contained herein, this presentation may be deemed to include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risk and uncertainty, including financial, regulatory environment and trend projections. Although the company believes that its expectations are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. The important factors that could cause actual results to differ materially from those in the forward-looking statements herein include, without limitation, the company's degree of financial leverage, risks associated with debt service requirements and interest rate fluctuations, risks associated with any possible acquisitions and the integration thereof, risks of international business, including currency risk, collections risks, dependence on availability of interconnection facilities, regulation risks, contingent liabilities, collection risks, and the impact of competitive services and pricing, as well as other risks referred in the company's filings with the CVM and SEC. The company does not undertake any obligation to release publicly any revisions to its forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events

- Strategic objectives
- Segmented approach to markets
- Regulatory environment and issues
- Financial performance

Strategic Objectives: Increase New Revenues Sources and Expand in New Markets



- Grow revenues
 - expand local telephony services to new markets
 - provide higher value added data services including outsourcing
 - maintain domestic long distance revenues

- Improve EBITDA through
 - revenue growth
 - higher local and data revenues participation in total revenues
 - interconnection cost reduction
 - maintain SG&A under control

Full fixed-line service offerings to all markets



➤ Business markets

■ Corporate market

- ❖ increase sales of local telephony
- ❖ increase value added data service offerings, mainly outsourcing (PrimeSys)
- ❖ continue to shift away from basic into advanced voice

■ Small a medium companies (SME)

- ❖ increase revenues through integrated voice and data offerings
- ❖ retain long distance revenues

➤ Residential markets

- ❖ increase local telephony CDMA network client base
- ❖ introduce local telephony through triple play offering with Net
- ❖ retain long distance revenues

Differentiated Local Service Offering



Residential

Per minute charge

Fixed monthly charge
used for local, long
distance and fixed-mobile

Local call detail on bills
(# and time of call)

Free user ID service

Business

Per minute charge

Volume discounts

Single contract for local
and long distance calls

Single bill for all services

NUN - single national
number

Regulatory Changes Benefit Embratel



Interconnection

- Local (TU-RL):
 - Capped at 50% of the local tariff in 2006
 - Capped at 40% in 2007
 - and LRIC (Long Run Incremental Cost Model) from 2008 onwards
- Long Distance (TU-RIU):
 - Capped at 30% of long distance basic tariff rate (D4= 300km +); modulated by peak/off-peak.
- New rates implemented as of January 1st 2006

Pulse to minute conversion

- Conversion rate of approx. 1.5min/pulse
- Tariff will range from R\$0.067 to R\$0.074 per minute.

Rate Annual Readjustment Based on Sector Index and Productivity Factors



Inflation index

➤ Índice Setorial de Telecomunicações - **IST**

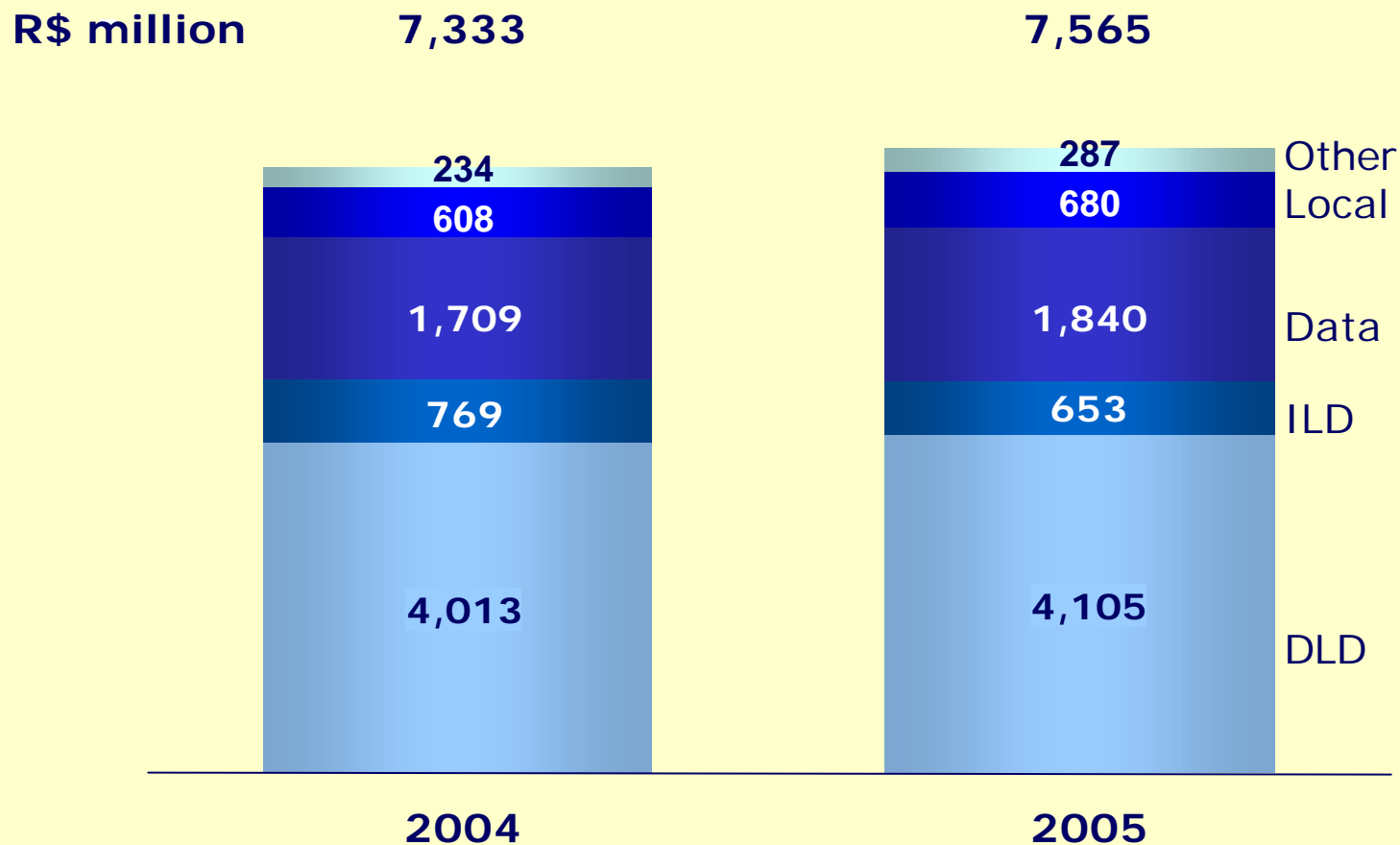
(a basket of several indexes)

- Consumer Price Index-IPCA (weight of 46.27%)
- Wholesale Price Index-IPA (weight of 34.15%)

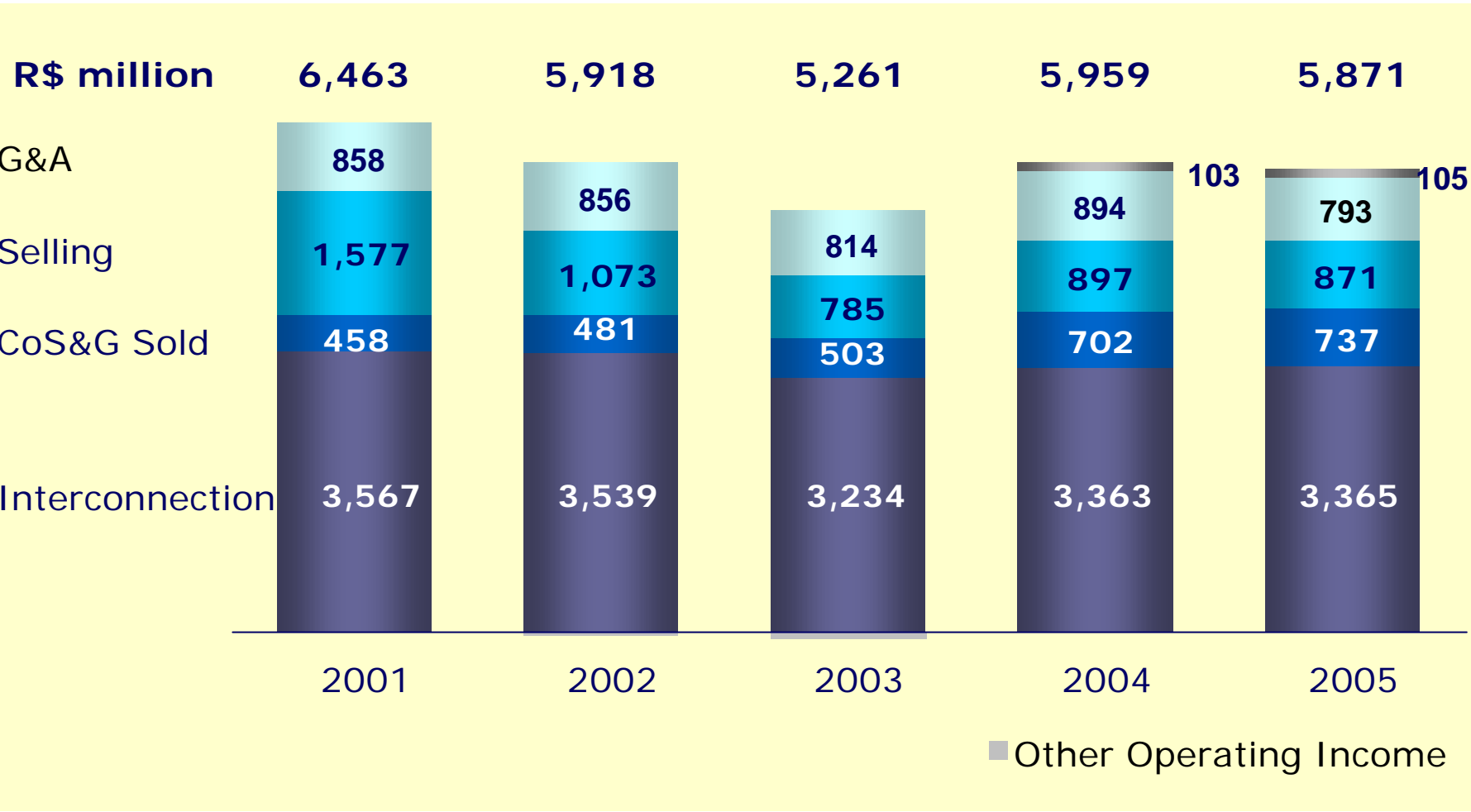
Productivity factor

- 2006/2007 Anatel calculates an index for the sector
- 2008 onwards productivity based on companies' cost structure.

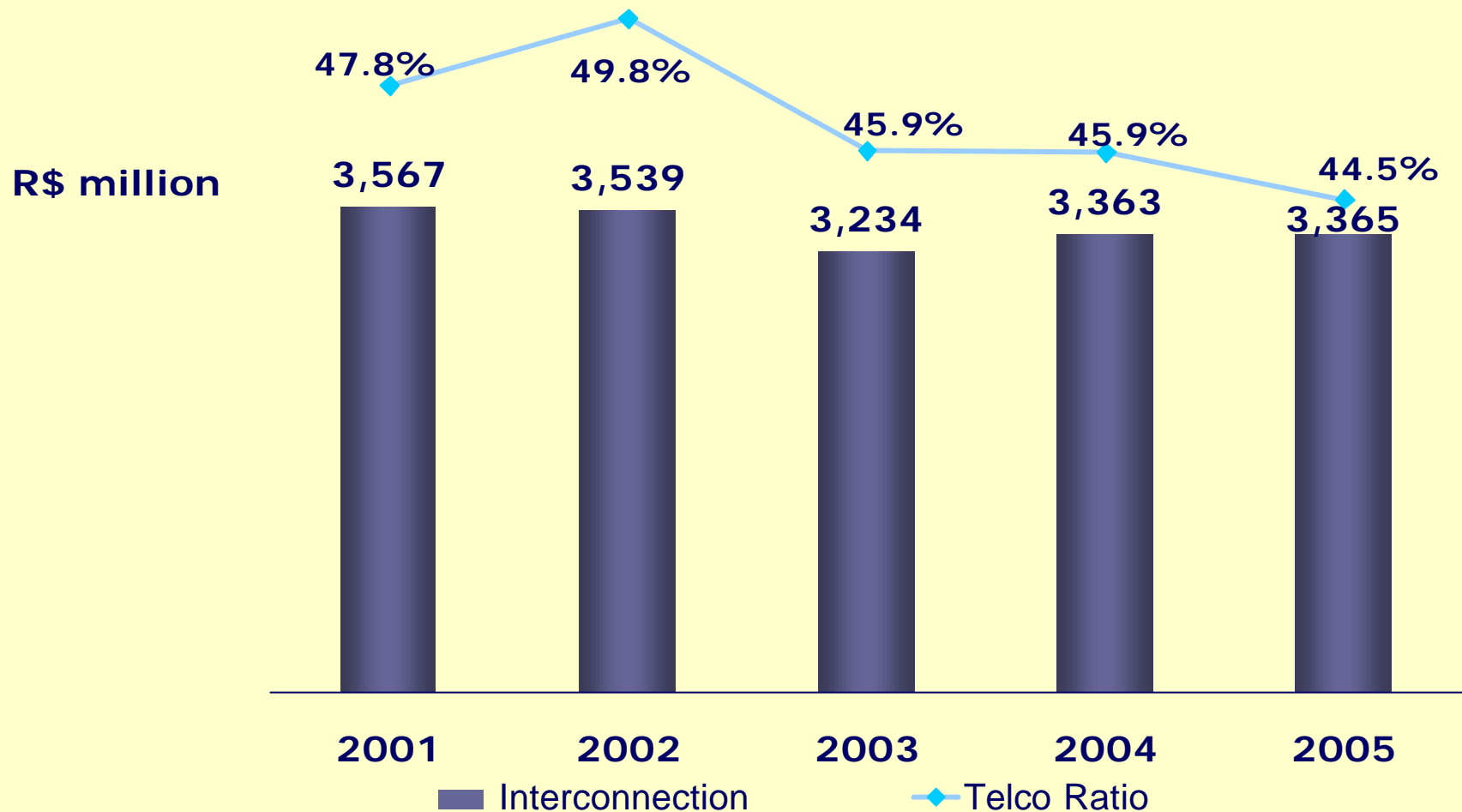
Growing Local and Data Revenues



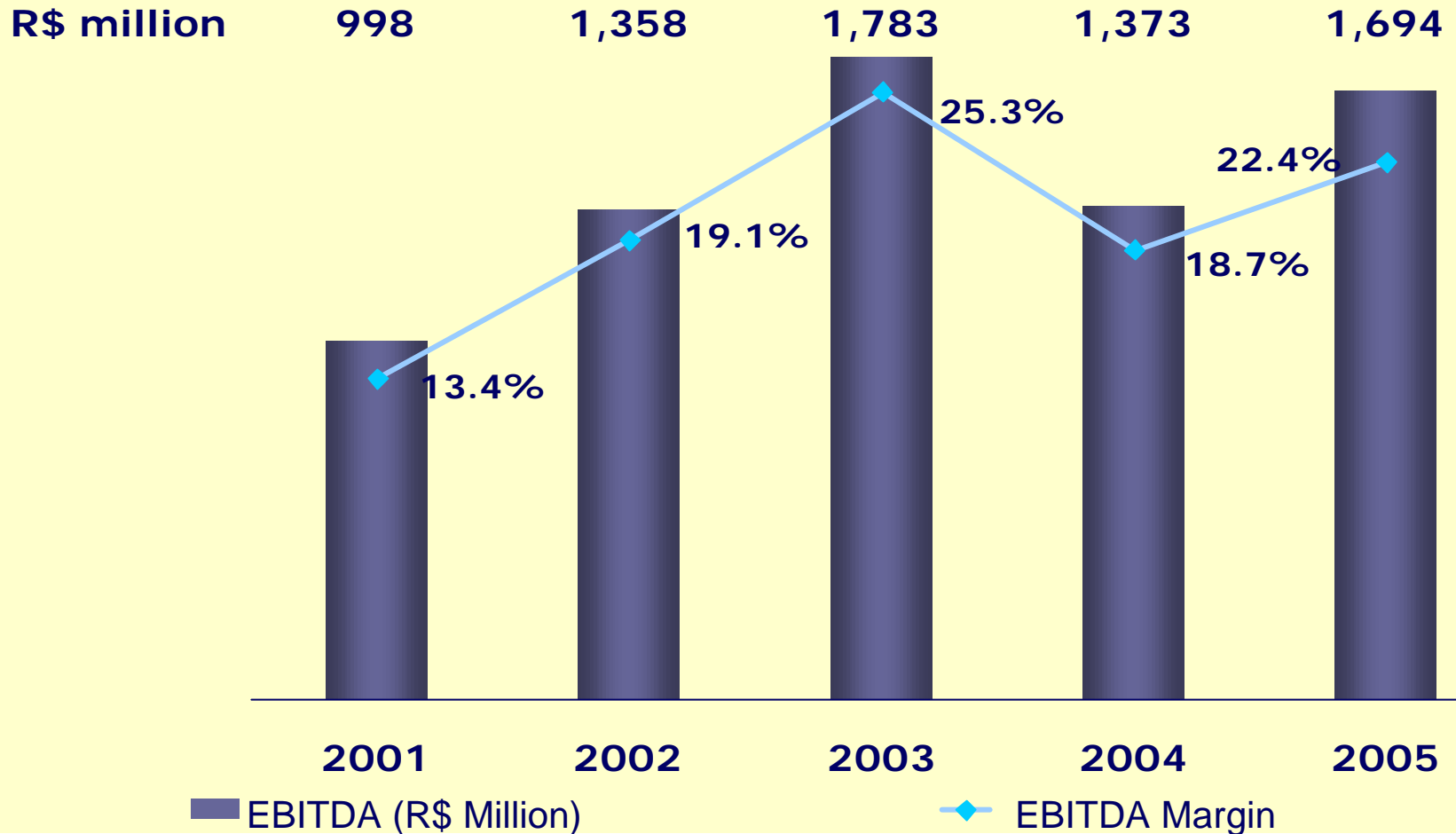
Maintaining Costs & Expenses Under Control



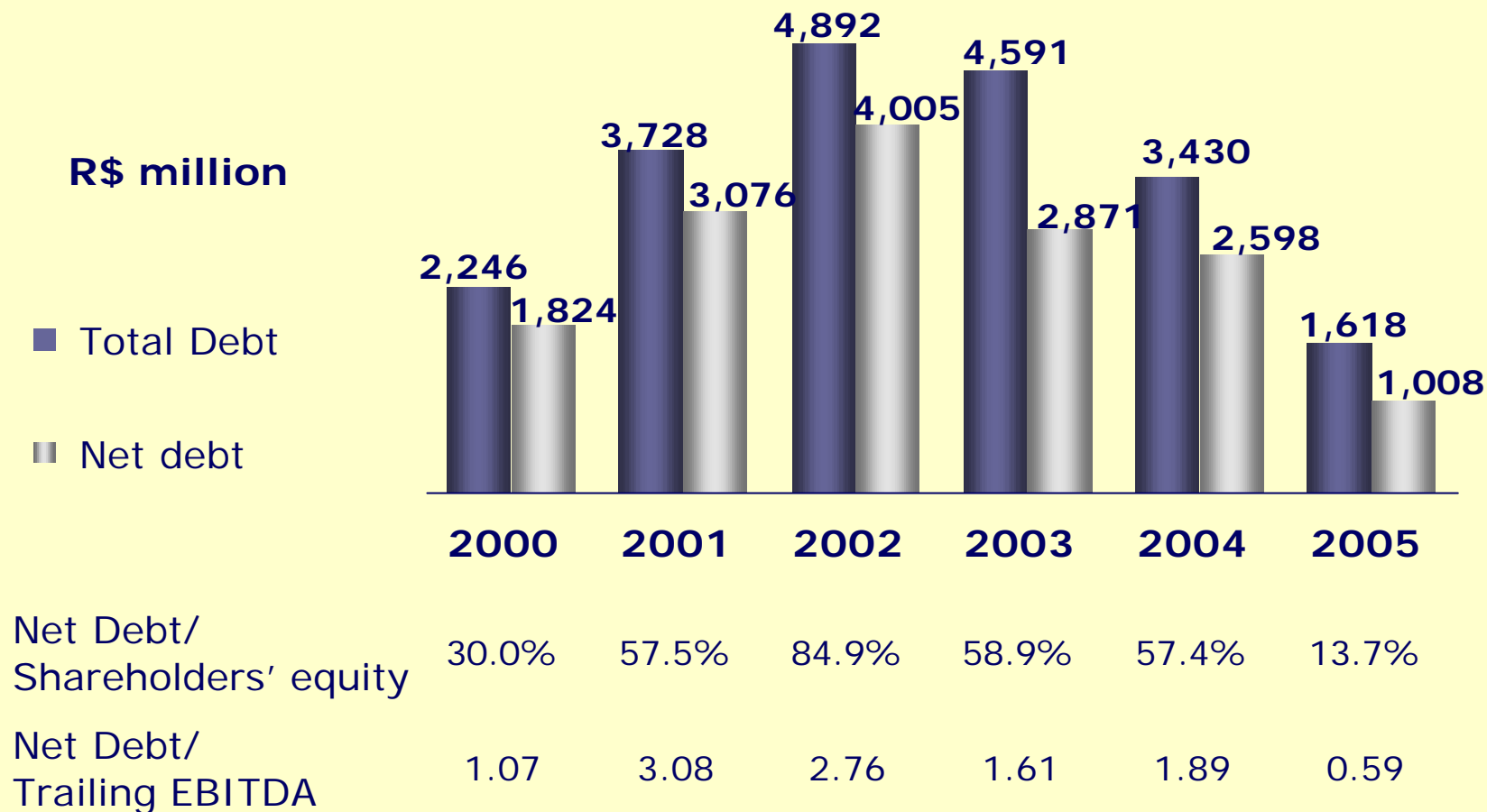
Continuous Improvement in Telco Ratio



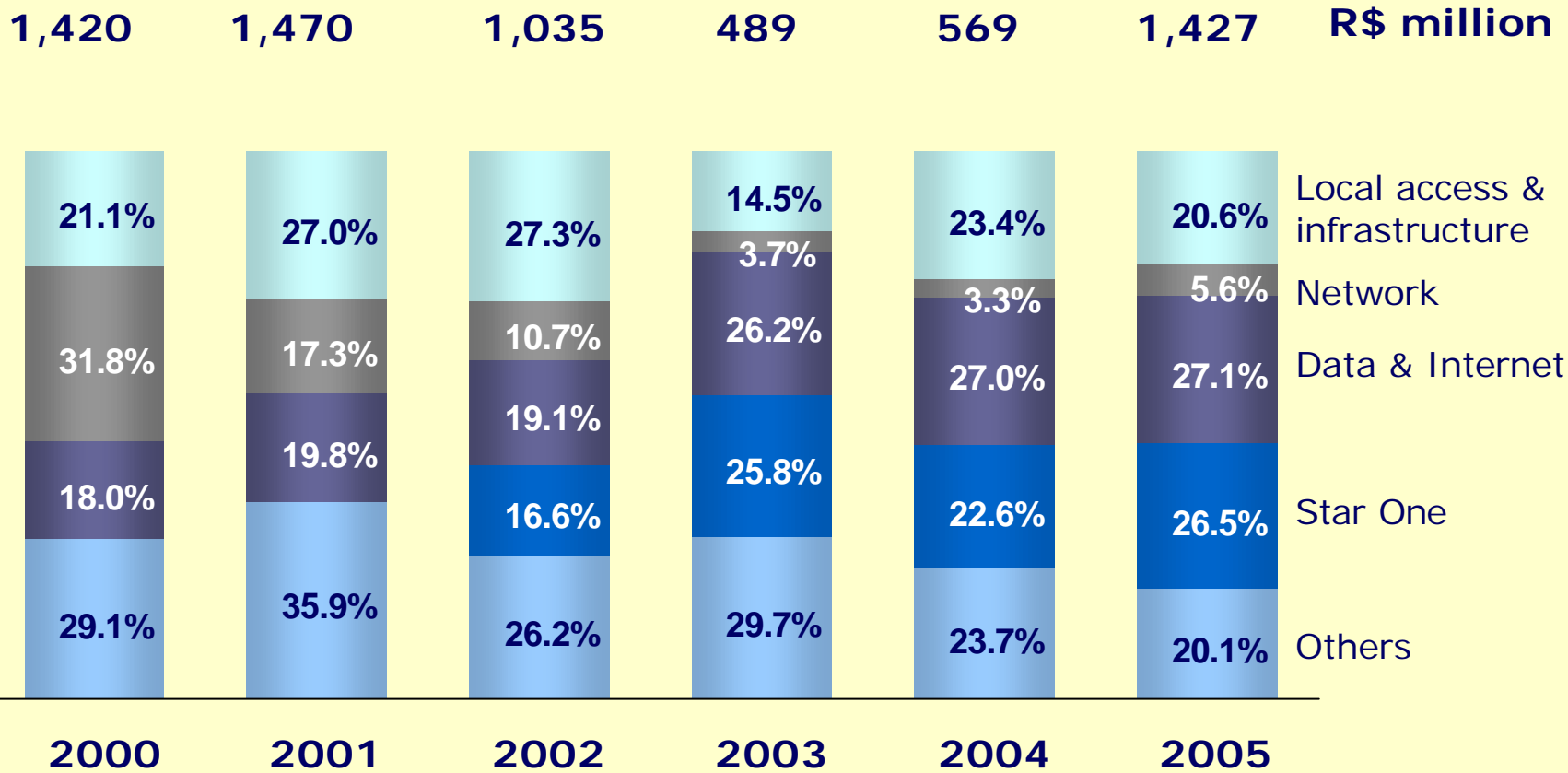
Working to Recover and Grow EBITDA Margin



Strong Financial Position



CAPEX Breakdown



Main events in 2005



- Capital increase
- Reduce debt level
- Acquisition of 37.1% of Net
- Acquisition of 100% of "Telmex do Brasil"
- Acquisition of PrimeSys



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Participações S.A.